



POSTAL REGULATORY COMMISSION

39 CFR Part 3050

[Docket No. RM2021-6; Order No. 5864]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Three). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* June 1, 2021.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments

electronically should contact the person identified in the **FOR FURTHER**

INFORMATION CONTACT section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On April 8, 2021, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Three.

II. Proposal Three

Background. In FY 2015, a new price category was created for Marketing Mail Flats on 5-digit pallets.² Accordingly, workshare discounts and percentage passthroughs for these “direct” 5 digit pallets (containing only Carrier Route or finer presorted bundles) have been calculated and reported separately from those of all other Standard Mail Carrier Route pieces since the FY 2015 Annual Compliance Report (ACR). Petition at 2-3.

As of FY 2017, the Postal Service has utilized the following methodology to calculate dropship workshare discounts for Marketing Mail:³

$$\frac{((\text{Pound discount} * \text{Pounds above breakpoint}) + (\text{Piece discount} * \text{Pieces below breakpoint}))}{(\text{Avoided cost per pound} * \text{Pounds above and below breakpoint})}$$

Petition at 5.

This methodology calculates workshare discounts in the same units as are used in the calculation of avoided costs. *Id.* The Postal Service

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), April 8, 2021 (Petition).

² Docket No. R2015-4, Order on Revised Price Adjustments for Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, May 7, 2015, at 43 (Order No. 2472).

³ Docket No. RM2017-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), November 20, 2017 (Order No. 4227).

has reported workshare discounts in this fashion in ACR dockets from FY 2017 to the present.⁴

Because this approach includes both the per-piece and per-pound elements of Marketing Mail Flats prices, the Postal Service states that percentage passthroughs for workshare discounts may be different for Carrier Route Flats on “direct” pallets and all Carrier Route Flats “solely because of differences in the mix of pieces above and below the breakpoint weight (currently 4 ounces).” Petition at 8.

Proposal. With Proposal Three, the Postal Service seeks to “stop separately calculating and reporting workshare discounts and percentage passthroughs for dropship Marketing Mail Carrier Route Flats on ‘direct’ pallets” and instead “calculate and report workshare discounts and percentage passthroughs for all dropship Marketing Mail Carrier Route Flats together.” *Id.* at 9. The Postal Service asserts that this approach is intended to “equalize the cost avoidance calculation across Marketing Mail density tiers (e.g., MADC, ADC, High Density, Saturation)” as “Carrier Route Flats is the only Marketing Mail product where the density discount is sub-divided based on preparation characteristics.” *Id.* at 10. According to the Postal Service, the current methodology can produce anomalous results when “preparation characteristics are correlated with other characteristics...such as weight or entry.” *Id.* It maintains that “[b]y combining volumes and calculating workshare discounts and percentage passthroughs for Marketing Mail Carrier Route flats as a single

⁴ See Docket No. ACR2017, USPS-FY17-3, December 29, 2017, Excel file “USPS-FY17-13.MKTG.xlsx,” tab “Flats and Parcels Dropship;” Docket No. ACR2018, USPS-FY18-3, December 28, 2018, Excel file “USPS-FY18-13.MKTG.xlsx,” tab “Flats and Parcels Dropship;” Docket No. ACR2019, USPS-FY19-3, December 27, 2019, Excel file “USPS-FY19-13.MKTG.xlsx,” tab “Flats and Parcels Dropship;” Docket No. ACR2020, USPS-FY20-3, Excel file “USPS-FY17-13.MKTG.xlsx,” tab “Flats and Parcels Dropship.”

group, Proposal Three would reduce volatility in the calculation of percentage passthroughs for dropshipped Marketing Mail Carrier Route Flats.” *Id.* The Postal Service states that such an approach would increase rationality and predictability in pricing, “especially given the new regulations governing workshare discounts.” *Id.* at 11.

Impact. Under the Postal Service’s proposed methodology, avoided costs and passthroughs associated with Marketing Mail Carrier Route Flats would be affected.

III. Notice and Comment

The Commission establishes Docket No. RM2021-6 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Three no later than June 1, 2021. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2021-6 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), filed April 8, 2021.

2. Comments by interested persons in this proceeding are due no later than June 1, 2021.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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